



FOOD PRICE OUTLOOK 2015

The Situation & Outlook for the Foodservice Industry

Who We Are & Who We Represent

The National Council of Chain Restaurants (NCCR) is the leading trade association exclusively representing chain restaurant companies. For more than 40 years, NCCR has worked to advance sound public policy that best serves the interests of restaurant businesses and the millions of people they employ. NCCR members include many of the country's most well-respected quick-service and casual-dining establishments. NCCR is a division of the National Retail Federation, the world's largest retail trade group.

Foodservice Operators Top Challenges

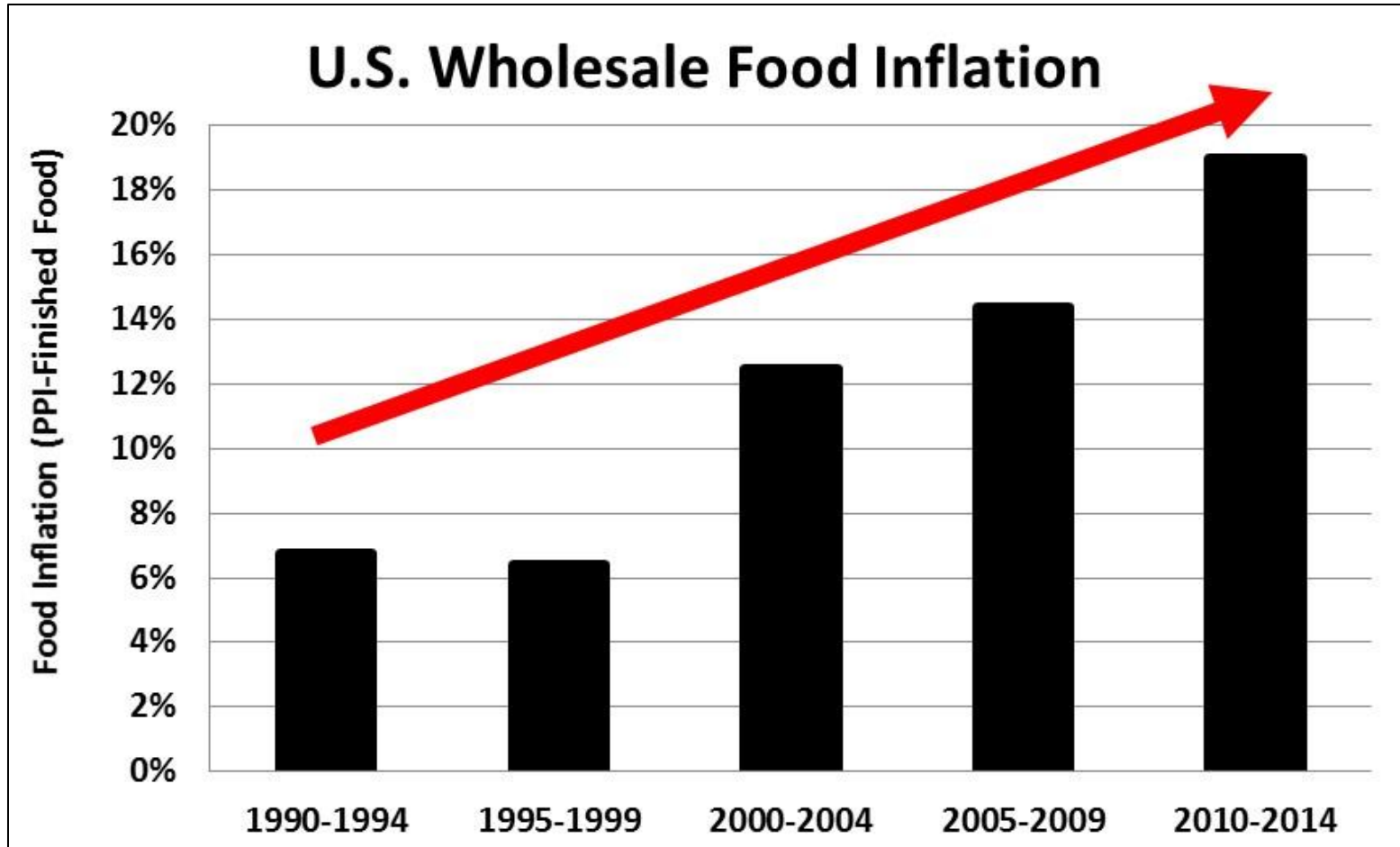
QUICK SERVICE

FAST CASUAL

Operational Challenges	Significant Challenge	Moderate Challenge	Significant Challenge	Moderate Challenge
Food Costs	23%	46%	29%	44%
Economy	19%	52%	23%	53%
Recruiting/Retention	21%	38%	22%	37%
Attracting New Customers	15%	41%	15%	41%
Keeping Repeat Customers	10%	24%	11%	25%
Credit/Financing	10%	23%	11%	27%

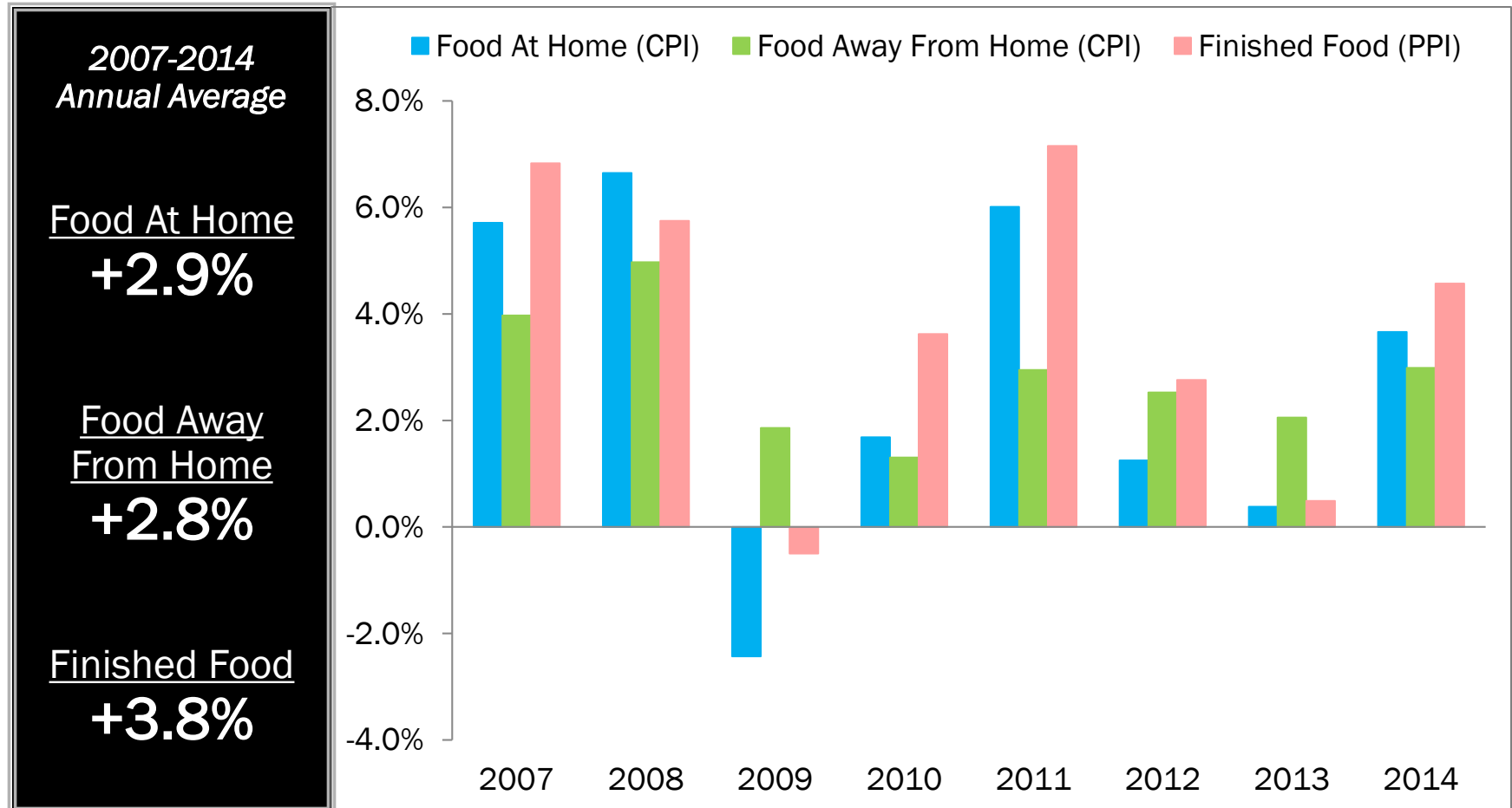
Source: National Restaurant Association, *2015 Restaurant Industry Forecast Executive Summary*, based on 2014 Restaurant Trends Survey

Wholesale Food Inflation is Expanding



Source: U.S. Bureau of Labor Statistics, Producer Price Index-Finished Consumer food.

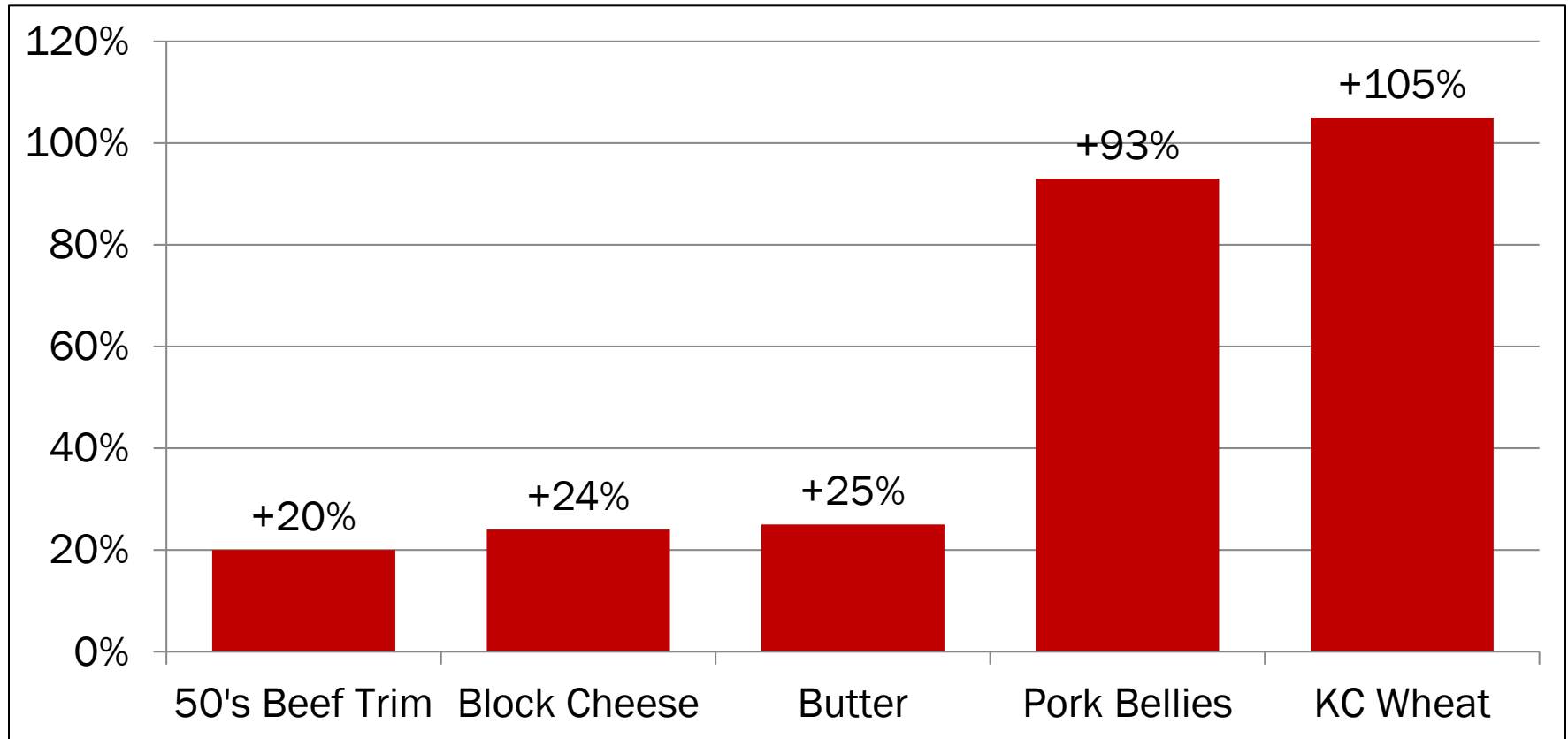
Difficulty Passing Costs to Consumers



Source: U.S. Bureau of Labor Statistics, Jan 2015, Food At Home CPI, Food Away From Home CPI, Finished Consumer Foods PPI (all seasonally adjusted)

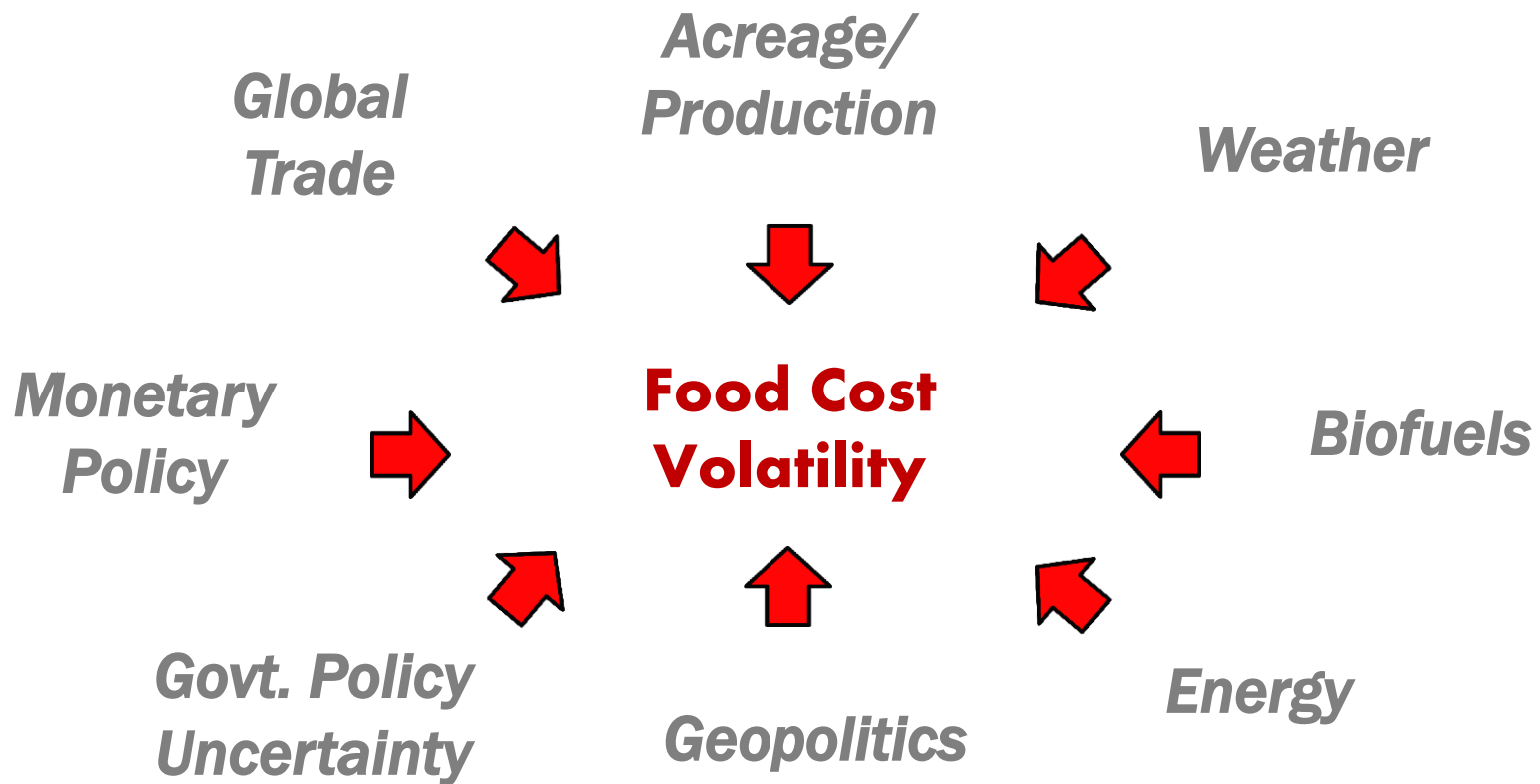
Challenge of Increased Volatility

Increase in annual Min-Max price spread avg 2008-2014 vs 2001-2007



Sources: USDA, CME, KCBT

Factors Impacting Food Costs



What Restaurants are Doing to Respond to Food Cost Challenges

Short Term Tactics

- ▣ Risk Management Tools
- ▣ Menu/Mix Mgmt.
- ▣ Product Optimization
- ▣ Competitive Bidding

Long Term Strategies

- ▣ Menu Innovation
- ▣ Supply Chain Integration
- ▣ Vendor Partnerships
- ▣ Policy Advocacy



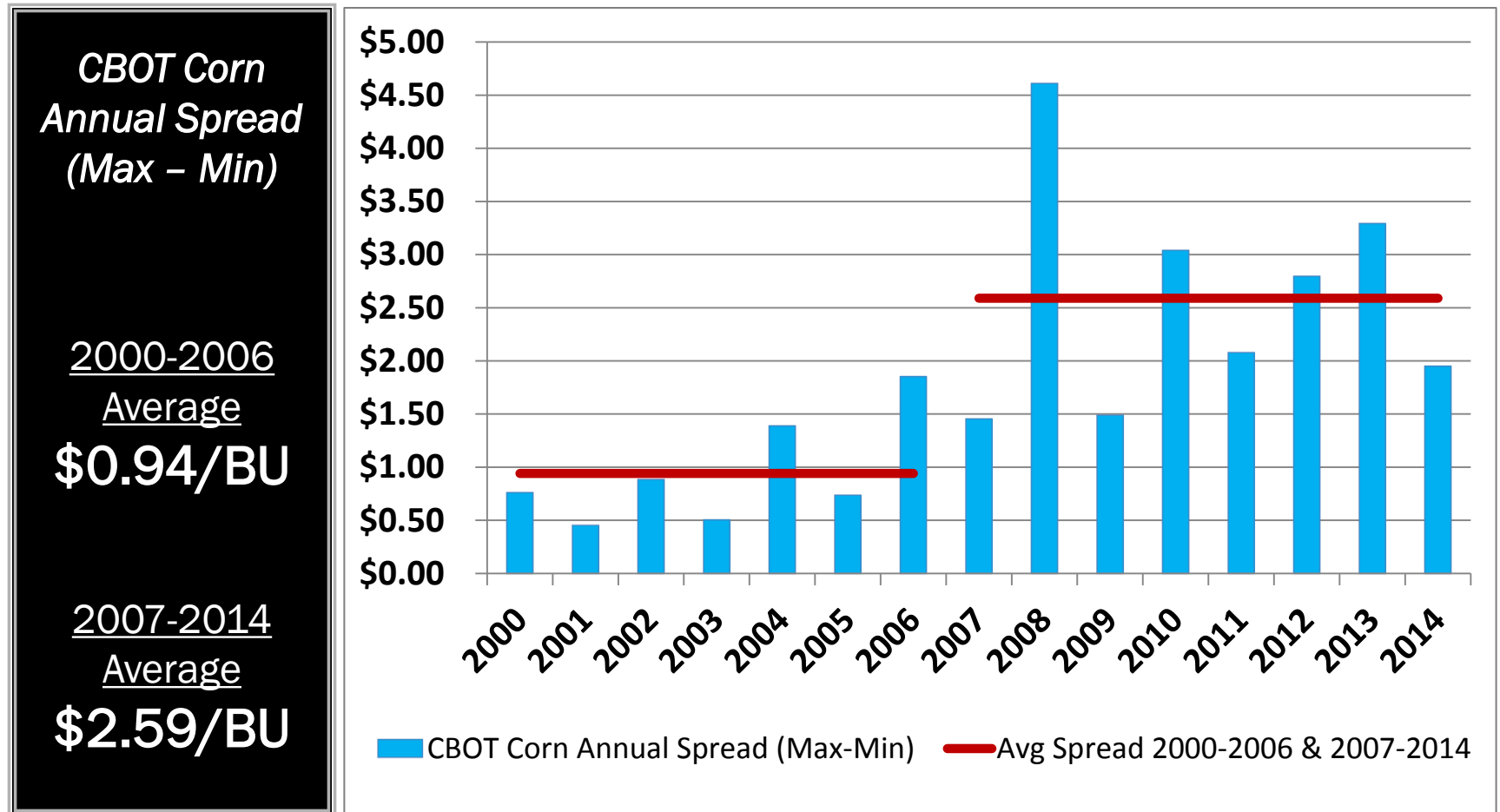
Policy Advocacy: RFS

Renewable Fuel Standard

- ❑ Key policy impact: corn ethanol mandate
- ❑ Creates inflation and volatility in ag markets
- ❑ Costing chain restaurant industry \$3.2 billion per year*
- ❑ Costing chain restaurant operators ≈\$18k/restaurant/yr*
- ❑ NCCR advocating for repeal of RFS

*Source: PwC Study, *Federal Ethanol Policies and Chain Restaurant Food Costs*, November 2012

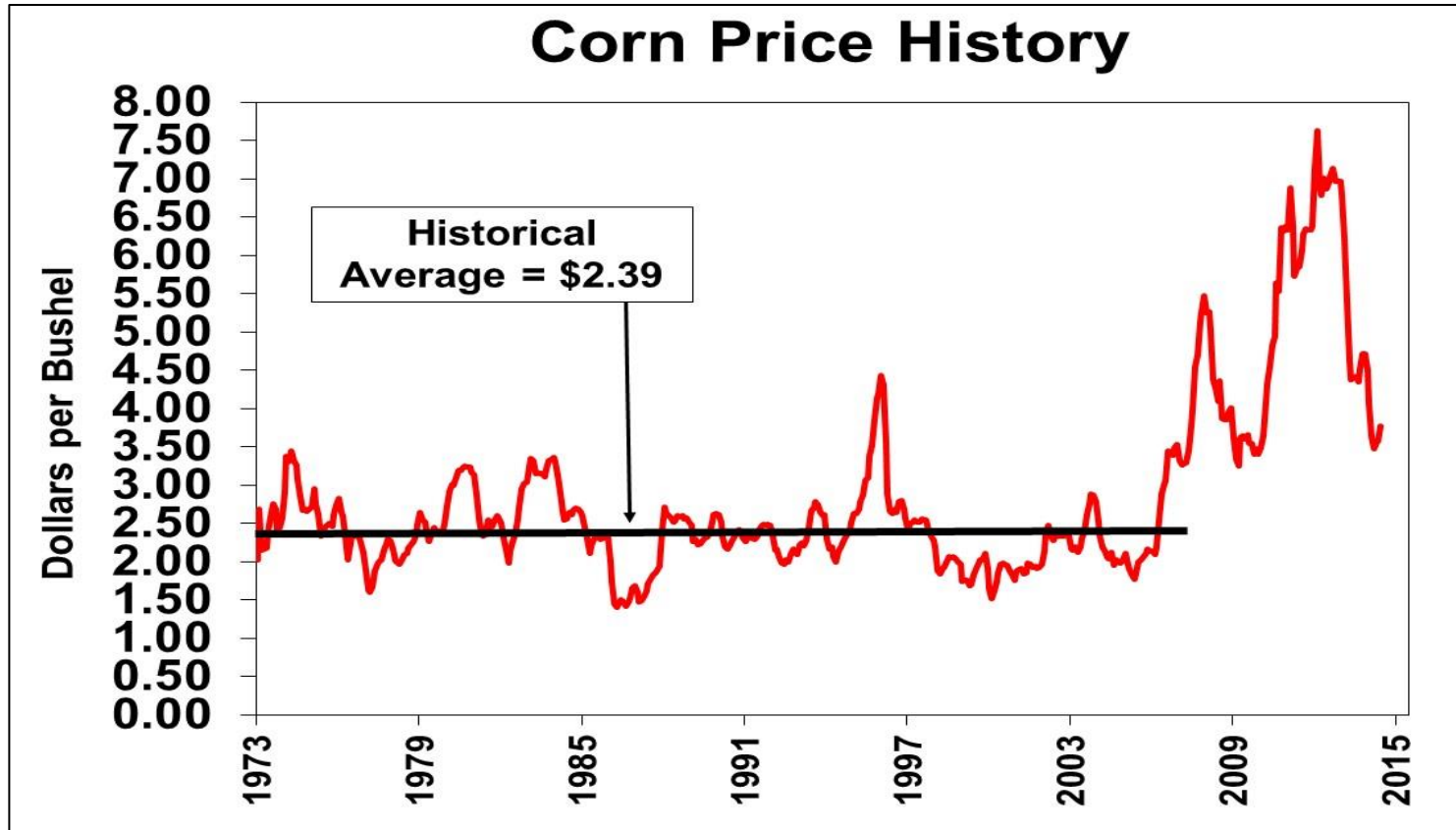
RFS Impact on Volatility



Source: CBOT Daily Rolling Nearby Corn Price, Per Bushel, Calendar Years 2000-2014

Corn Prices Remain Elevated

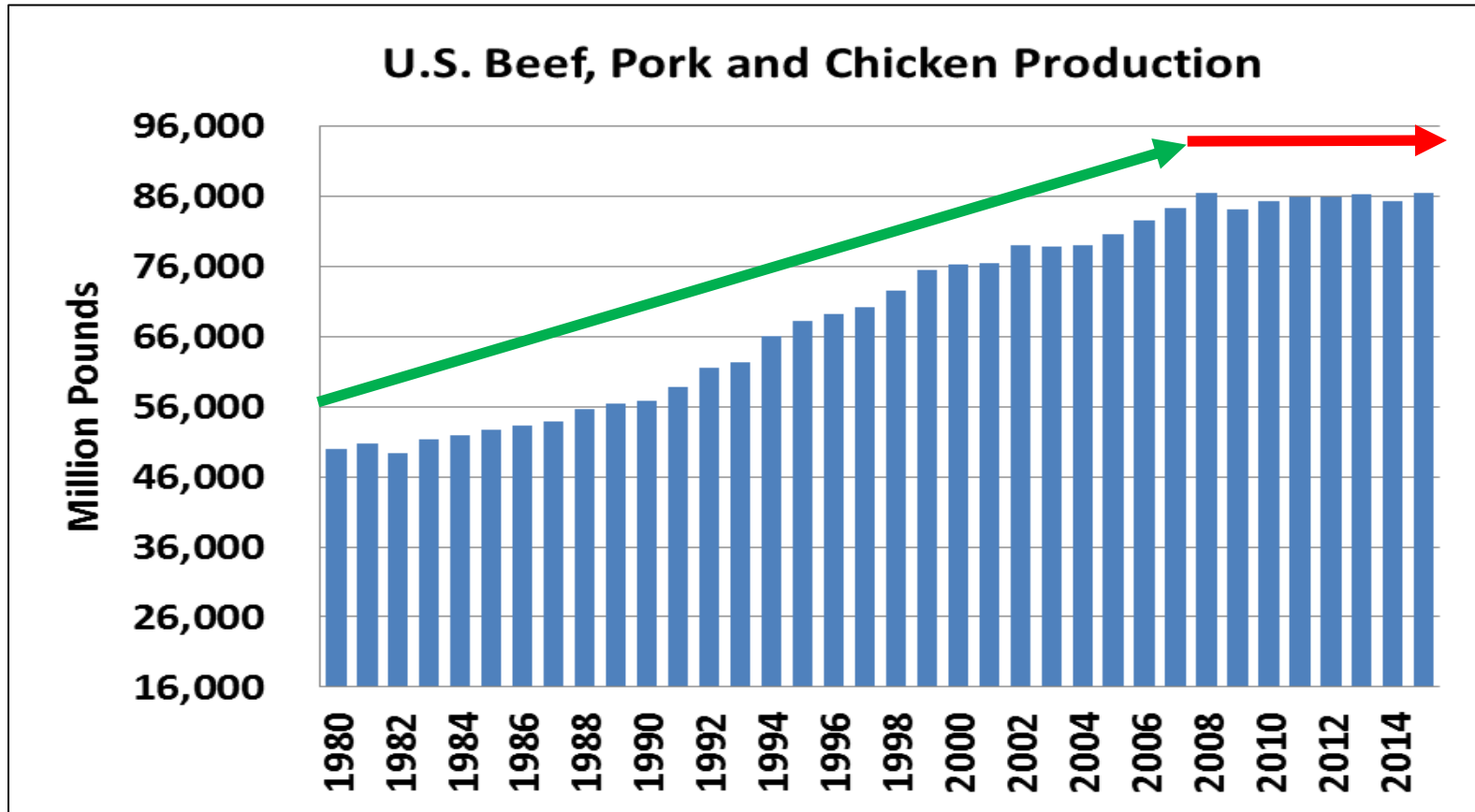
Corn prices are still +50% higher than the historical average!



Source: USDA, Prices Received by Farmers.

Impact on Protein Production

Protein production has been flat since the RFS was expanded in 2007!



Source: USDA, WASDE.

A Platform to Engage

RFS Off the Menu

- ▣ Food Retail Coalition
- ▣ Launched in June 2013
- ▣ Serves as a platform for education and engagement
- ▣ Focused on repeal of RFS/corn ethanol mandate



<http://rfsoffthemenu.org/>